

## Message Text

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ACTION XMB-04

INFO OCT-01 EA-09 ISO-00 L-03 AID-05 CIAE-00 COME-00 EB-07

FRB-01 INR-07 NSAE-00 TRSE-00 OPIC-06 SP-02 CIEP-02

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FM AMCONSUL HONG KONG

TO SECSTATE WASHDC PRIORITY 7489

INFO AMEMBASSY TAIPEI PRIORITY

UNCLAS HONG KONG 12165

PASS EXIM

TAIPEI FOR BOGDANOFF

E.O. 11652: N/A

TAGS: EFIN, HK

SUBJECT: ECIA CLAIM D-400 HUTCHISON INTERNATIONAL LIMITED

1. HK BANK AND BOYER AS CHAIRMAN HIL EXEC. COM. ARE KEYS TO SOLUTION OF FA PROBLEM. HK BANK REPUTATION IS CLEARLY IDENTIFIED WITH OUTCOME OF HIL SITUATION. LOCAL COMMUNITY SOMEWHAT SURPRISED BY HK BANK ATTITUDE THUS FAR REGARDING POSSIBLE REPUDIATION OF FA OBLIGATIONS AND HK BANK IS AWARE OF THIS. HK BANK ALSO NOW FULLY AWARE OF U.S. GOVERNMENT INTEREST.

2. OCT 8 HIL SHAREHOLDERS MEETING RATIFIED ALL REQUIREMENTS FOR HK BANK CONTROL OF HIL. D. CLAGUE IS NON-OPERATING CHAIRMAN. NEW PRESS. WM. WYLLIE TAKES OVER NOV 1. BOYER MAKING ALL DECISIONS UNTIL THEM. REPORTS ON WYLLIE ARE GENERALLY GOOD; KNOWN FOR SAVING TROUBLED SUB OF CONGLOMERATE BY CONSOLIDATION; UNKNOWN AS A BUKLDER OF CONGLOMERATE ITSELF.

3. BOYER HAS NO KNOWLEDGE OF FA VIEW OF PROBLEMS AND HAS ONLY HEARD HIL SIDE. HE VIEWS ACTIONS TO DATE AS DEFENSIVE MEASURES TO SAVE HIL. KNOWN CREDITORS OF HIL OTHER THAN THOSE RELATED TO UNCLASSIFIED

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FA MATTER ARE BEING SETTLED. FA METTER IS BEING ISOLDATED DUE TO

A DISPUTE. HK BANK HAS STATED THAT THE LEGAL OBLIGATIONS OF HIL WILL BE HONORED.

4. ON ADVICE OF LEGAL COUNSEL, IN ORDER TO PRESERVE LEGAL POSITIONS, HK BANK HAS NOT PREVIOUSLY RESPONDED TO FA SETTLEMENT OFFER. ALSO, NEED MORE TIME TO COMPLETE ANALYSIS OF PRESENT HIL SITUATION. ON AVAILABLE INFORMATION, BOYER FEELS FA TOOK ADVANTAGE OF MIS-MANAGED DISTRIBUTOR AND HAS BEEN SOMEWHAT INFLEXIBLE IN RESOLVING THE PROBLEM AND MUST IMPROVE OFFER. HOWEVER, BOYER NOW HAS CLEARANCE FROM LEGAL COUNSEL AND HK BANK TO NEGOTIATE WITH FA OUTSIDE OF LEGAL ACTIONS.

5. BOYER AND WYLLIE SEE 3 ALTERNATIVES AT THIS TIME:  
(A) JDHILL SELL OFF EQUIPMENT AT DISTRESS PRICES, CEASE OPERATIONS AND PAY UNDISPUTED DEBTS.  
(B) RESTRUCTURE JDHIL TO CONTINUE OPERATIONS, WITH P.T. ALLTRAK AS FA DISTRIBUTOR. WOULD REQUIRE ASSURANCES OF CONTINUING CO-OPERATION FROM FA, A LONG TERM DEALER ARRANGEMENT AND AVAILABILITY OF LONG TERM FINANCING.  
(C) FA TAKE OVER P.T. ALLTRAK AND OPERATE AS A DISTRIBUTOR. BOYER SAYS HE PREFERS C ABOVE; WYLLIE SEEMS MORE INTERESTED IN B.

6. WE ADVISED FA'S HK COUNSEL OF BOYER'S POSITION AND HE WILL RECOMMEND TO FA THAT THEY PREPARE A STATEMENT OF THEIR VIEW OF THE SITUATION AND FORWARD IT TO BOYER OR TO SAYER, CHAIRMAN OF HK BANK AND WYLLIE WILL BE PREPARED TO OPEN DISCUSSIONS WITH FA THE WEEK OF NOV 3.

7. FA HK COUNSEL ADVISES 3 ACTIONS PENDING IN HK:  
(A) JDHIL V. FA, EX PARTE SUMMONS FOR TRO ENJOINING FA FROM WINDING UP JDHIL.  
(B) HIL V. FA, SAME AS (A). SUBSEQUENTLY AMENDED TO SEEK RELIEF ASKED IN CHICAGO SUIT.  
(C) JDHIL V. FA, EX PARTE ACTION SEEKING SAME RELIEF AS CHICAGO ACTION.  
OCT. 14 HEARING IN HK WILL DEAL WITH ALL 3 ACTIONS. FA IS WILLING TO AGREE NOT TO WIND UP JDHIL OR HIL AND FEELS (A) WILL BE DISMISSED. FA IS OPPOSING (B) AND (C) ON GROUNDS THE HK COURT HAS NO JURISDICTION OVER FA AND ON GROUND OF FORUM NON CONVENIENCE.  
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FEELS HK ACTIONS DUPLICATE CHICAGO ACTION WHICH IS ONLY PLACE WHERE ALL RELATED PARTIES CAN BE JOINED. OUTCOME OF (B) AND (C) IS UNCERTAIN. DECISION EXPECTED BY OCT 17 AND FA COUNSEL WILL ADVISE B. HIRSHORN OF US CONSULATE.  
CROSS

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